



General Assembly

Raised Bill No. 158

February Session, 2006

LCO No. 1173

* SB00158BA 050106 *

Referred to Committee on Judiciary

Introduced by:
(JUD)

***AN ACT CONCERNING LAW SCHOOL SCHOLARSHIPS FUNDED BY
THE INTEREST EARNED ON LAWYERS' CLIENTS' FUNDS
ACCOUNTS PROGRAM.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 51-81c of the 2006 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 *(Effective October 1, 2006):*

4 (a) A program for the use of interest earned on lawyers' clients'
5 funds accounts is hereby established. The organization administering
6 the program shall use such interest to provide funding for (1) the
7 delivery of legal services to the poor by nonprofit corporations whose
8 principal purpose is providing legal services to the poor, and (2) law
9 school scholarships [based on financial need] awarded in accordance
10 with subsection (b) of this section. Each lawyer and law firm having a
11 clients' funds account shall participate in the program. On and after
12 July 1, 2005, each entity, other than a borrower, having an account
13 established to receive loan proceeds from a mortgage lender, as
14 defined in this subsection, shall participate in the program. Under the
15 program, funds in accounts established to receive such loan proceeds,

16 regardless of the amount or period held, and clients' funds that are less
 17 than ten thousand dollars in amount or expected to be held for a
 18 period of not more than sixty business days, shall be deposited by
 19 participating lawyers, law firms and entities in interest-bearing
 20 accounts specifically established pursuant to the program. Funds
 21 deposited in such accounts shall be subject to withdrawal upon request
 22 by the depositor and without delay. The interest earned on such
 23 accounts shall be paid to an organization qualified under Section
 24 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent
 25 corresponding internal revenue code of the United States, as from time
 26 to time amended, which shall be designated to administer the program
 27 by the judges of the Superior Court pursuant to subsection [(b)] (c) of
 28 this section. Nothing in this section shall prevent (A) a lawyer or law
 29 firm from depositing a client's funds, regardless of the amount of such
 30 funds or the period for which such funds are expected to be held, in a
 31 separate interest-bearing account established on behalf of and for the
 32 benefit of the client, or (B) an entity from depositing a person's loan
 33 proceeds, regardless of the amount of such proceeds or the period for
 34 which such proceeds are expected to be held, in a separate interest-
 35 bearing account established on behalf of and for the benefit of the
 36 person. The organization administering the program shall mail to each
 37 lawyer, law firm and entity participating in the program a detailed
 38 annual report of all funds disbursed under the program including the
 39 amount disbursed to each recipient of funds. Any recipient of funds
 40 under the program which, using program funds, represents a party in
 41 an action filed after July 1, 1992, against the state or any officer or
 42 agency thereof and is awarded attorney's fees in such action by the
 43 court, shall reimburse the program for the amount of attorney's fees
 44 received in proportion to the percentage of program funds used for the
 45 litigation. No recipient of funds under the program may use such
 46 funds to pay the occupational tax imposed pursuant to section 51-81b
 47 on behalf of any attorney. As used in this section, "mortgage lender"
 48 means any person engaged in the business of making first mortgage
 49 loans or secondary mortgage loans, including, but not limited to, a
 50 bank, out-of-state bank, Connecticut credit union, federal credit union,

51 out-of-state credit union, first mortgage lender required to be licensed
52 under sections 36a-485 to 36a-498a, inclusive, or secondary mortgage
53 lender required to be licensed under sections 36a-510 to 36a-524,
54 inclusive.

55 (b) Law school scholarships funded pursuant to this section shall be
56 awarded based on financial need to individuals who were domiciled in
57 this state upon graduation from high school. As used in this
58 subsection, "domicile" shall have the same meaning as provided in
59 section 10a-28.

60 [(b)] (c) The judges of the Superior Court shall adopt rules to
61 implement the program for the use of interest earned on lawyers'
62 clients' funds accounts, provided nothing in this section shall grant to
63 the judges of the Superior Court or any other judicial authority any
64 legislative, regulatory or rule-making authority over banks, insurance
65 companies or other financial institutions.

66 [(c)] (d) The program shall not require the banking corporations or
67 financial institutions receiving such funds, holding such accounts and
68 paying interest on such accounts to the depositors of the account to
69 perform any additional administrative functions or assume any
70 additional responsibilities or obligations in connection with the
71 program or the accounts so maintained.

72 [(d)] (e) An advisory panel shall be established to perform the
73 functions described in subsection [(e)] (f) of this section consisting of
74 five members to be selected as follows: Three members shall be
75 appointed by the Governor, one of whom shall be an executive
76 director of a nonprofit corporation which provides legal services to the
77 poor in this state; and two members shall be appointed by the
78 cochairpersons of the joint standing committee of the General
79 Assembly having cognizance of matters relating to the judiciary. Each
80 member of the panel shall serve for a term which is coterminous with
81 the term of the member's appointing authority. A vacancy shall be
82 filled by the original appointing authority for the balance of the

83 unexpired term.

84 [(e)] (f) The advisory panel shall: (1) Consult with and make
 85 recommendations to the tax-exempt organization administering the
 86 program regarding the implementation and administration of the
 87 program, including the methods of allocation and the allocation of
 88 funds to be disbursed under the program; (2) review and evaluate, and
 89 monitor the impact of the program; and (3) report on the program to
 90 the joint standing committee of the General Assembly having
 91 cognizance of matters relating to the judiciary and to the Chief Court
 92 Administrator, as may from time to time be requested.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	51-81c

JUD *Joint Favorable*

ED *Joint Favorable*

HED *Joint Favorable*

BA *Joint Favorable*